



Department of Justice

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TRUCKEE CARSON IRRIGATION DISTRICT AND FOUR EMPLOYEES CHARGED WITH DEFRAUDING THE U.S. BUREAU OF RECLAMATION

SACRAMENTO, Calif.—United States Attorney McGregor W. Scott announced that a federal grand jury in Reno, Nev. returned an indictment today charging the TRUCKEE CARSON IRRIGATION DISTRICT (TCID), a water district with offices in Fallon, Nev., and four employees of TCID, DAVID OVERVOLD, 58, LYMAN McCONNELL, 64, SHELBY CECIL, 65, and JOHN BAKER, 63, all of Fallon, Nev., with conspiracy to defraud the United States Bureau of Reclamation, falsification of records, false claims, and false statements.

This case is the product of an investigation by the United States Department of the Interior, Office of Inspector General.

According to the indictment, pursuant to a contract with the United States Bureau of Reclamation, TCID operates and maintains various water storage and delivery facilities that are part of the Newlands Project in Northern Nevada, including the Lahontan Reservoir Dam and reservoir, Lake Tahoe Dam and reservoir, the Derby Diversion Dam, and canals, ditches and drainage systems, through which TCID delivers water to landowners in Northern Nevada. TCID's obligations as to its water distribution are set forth in the Operating Criteria and Procedures (OCAP). In 1988, the OCAP was revised to include a water delivery efficiency incentive provision, which provided that in any given year that TCID's actual water delivery efficiency exceeded a target efficiency set by the Bureau of Reclamation, two-thirds of the resultant savings, in water, would be credited to TCID to be used at TCID's own discretion. Each year the Bureau of Reclamation computed how many acre-feet of water incentive credits TCID was entitled to, if any, based on data which TCID submitted regarding TCID's efficiency in delivering water to landowners for that irrigation season.

The indictment alleges that TCID and defendants OVERVOLD, McCONNELL, CECIL and BAKER fraudulently obtained incentive credits in the form of tens of thousands of acre-feet of water by submitting materially false data to the U.S. Bureau of Reclamation regarding the amount of water TCID had delivered for the irrigation seasons 2000 through 2005. The indictment alleges that TCID inflated its water delivery efficiency data through various means, including recording water deliveries that were not made and tampering with water meters that recorded water flow data. For the irrigation seasons 2000 through 2005, TCID received approximately 45,000 acre-feet of water as incentive credits, which were adjusted to account for evaporation and storage. One acre-foot of water is equivalent to approximately 326,700 gallons of water.

According to the indictment, TCID used thousands of acre-feet of incentive credit water to make recoupment payments in partial satisfaction of a judgment rendered against TCID and in

favor of the Pyramid Lake Paiute Tribe and the United States in an earlier civil suit. That ruling found that TCID had made excessive diversions of water, and ordered it to make recoupment payments of 197,152 acre-feet of water.

U.S. Interior Department Inspector General Earl Devaney said, “Water is a precious commodity in Nevada and throughout the West. The behavior alleged in this indictment undermines the integrity of the water system and cannot be tolerated. It is important that we stay vigilant about similar schemes that might be occurring elsewhere. The public needs to have confidence in the regulation and distribution of their water, and there needs to be accountability.”

“Fraud that undermines the Government’s ability to manage and preserve our natural resources is a serious offense. The Department of Justice stands ready to investigate and prosecute such cases when they arise,” stated U.S. Attorney Scott.

The defendants are scheduled to appear in court for an initial appearance and arraignment on December 8, 2008, at 3 p.m. before United States Magistrate Judge Robert A. McQuaid Jr. in the U.S. District Court in Reno. If convicted, each individual defendant faces up to 20 years in prison as to each falsification of record counts, and five years in prison for each count of false claims, false statements, and for conspiracy to defraud the United States. The individual defendants also face maximum possible fines of \$250,000 as to each count. TCID, if convicted, could be fined for each count twice the gross gain or loss suffered to another, or \$500,000, whichever is greater. TCID could also be subject to probation, a court-ordered monitoring program, and other consequences.

The case is being prosecuted by Assistant United States Attorney James E. Keller through the United States Attorney’s Office for the Eastern District of California. Except for Mr. Keller, the United States Attorney’s Office for the District of Nevada has been recused from the case to avoid any perception of potential conflict with an unrelated civil action.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

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